

ORDINANCE NO. 120189

Amending Chapter 2, Code of Ordinances, by repealing Section 2-1264, "Conditions for Retirement" and Section 2-1265, "Pension benefits generally", and enacting in lieu thereof, new sections of like number and subject matter.

WHEREAS, what is commonly referred to as "The Firefighters' Pension System" is codified as Division 4, entitled "Pensions for Firefighters", of Article IX of Chapter 2, Code of Ordinances; and

WHEREAS, the Firefighter's Pension System currently only allows a member who has 25 or more years of service to elect to take voluntary retirement and, upon voluntary retirement, to elect to withdraw all or a portion of his accumulated contributions and receive a reduced pension; and

WHEREAS, under the Firefighter's Pension System, a surviving spouse of a member receives a pension only if the member first satisfies the conditions of retirement; and

WHEREAS, the Council recognizes that this requirement of 25 or more years of service to be eligible for voluntary retirement is not in the best interests of the City because it limits those willing to serve as Fire Chief; NOW, THEREFORE,

BE IT ORDAINED BY THE COUNCIL OF KANSAS CITY:

Section 1. That Chapter 2, Article IX, Division 4, Code of Ordinances of the City of Kansas City, Missouri, is hereby amended by repealing Section 2-1264, "Conditions for retirement" and Section 2-1265, "Pension benefits generally" and enacting in lieu thereof, new sections of like number and subject matter, to read as follows:

**Sec. 2-1264. Conditions for retirement.**

(a) *Voluntary retirement.* Any member in service as a firefighter for compensation or on authorized sick leave not exceeding one year, or who shall hereafter enter service as a firefighter, may retire when he has completed 25 or more years of creditable service or, if he first enters the pension system as Fire Chief and retires as Fire Chief, when he has completed 10 or more years of creditable service.

(b) *Disability retirement.* If a member, while a participant in this plan, contracts an illness or suffers an accident rendering him permanently and totally disabled, he shall be entitled to pension benefits in accordance with the terms and provisions of section 2-1267.

(c) *Application for retirement.* Any member eligible for retirement as provided in this division may retire upon written application to the board of trustees, which shall

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establish the retirement date, but not later than the first day of the month following the happening of the event set out in this division as a condition for the type of retirement.

**Sec. 2-1265. Pension benefits generally.**

(a) *Amount of retirement pension.* Effective for retirement on or after December 31, 1999, upon retirement, a member shall receive a monthly pension equal to two and one-half percent of the member's average final compensation times the number of years and months of creditable service, not to exceed 80 percent of the member's average final monthly compensation.

(b) *Optional forms of payment.*

(1) *Withdrawal of contributions.*

- a. A member retiring with 25 or more years of creditable service or a member who first enters the pension system as Fire Chief and retires as Fire Chief with 10 or more years of creditable service may elect to withdraw all or a portion of his accumulated contributions and receive a reduced lifetime pension. This election will not affect the amount of the surviving spouse's pension or the cost-of-living adjustment.
- b. The pension calculated in subsection (a) will be reduced by applying factors to the amount withdrawn as adopted by the board of trustees upon the recommendation of the pension system's consulting actuary.
- c. The member's spouse, if any, must sign appropriate forms attesting consent.

(2) *Joint options.*

- a. A member with 25 or more years of creditable service or a member who both first enters the pension system as Fire Chief and retires as Fire Chief with 10 or more years of creditable service may elect a reduced lifetime pension. A percentage (100 percent, 75 percent, or  $66 \frac{2}{3}$  percent), as specified in the election, shall be paid to the surviving spouse instead of the amount specified in subsection 2-1268(a)(1) of this section.
- b. This shall be calculated by multiplying the amount otherwise payable by the appropriate factor adopted by the board of trustees upon the recommendation of the pension system's consulting actuary.

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- c. This option is irrevocable after the effective date of the member's pension. It shall be effective only if the spouse was married to the member on the effective date of the member's pension and shall become ineffective if either the spouse or the member dies prior to the effective date of the pension.
  - d. This election will not affect the amount of the cost-of-living adjustment.
  - e. The member's spouse, if any, must sign appropriate forms attesting consent; however, in no event shall a member be required to obtain the consent of an approved domestic partner in choosing pension options contained in this section.
- (3) *Required distribution.* Distribution of a member's interest in the pension system shall commence not later than April 1 of the calendar year following the later of the calendar year in which the member attains age 70 1/2 or the calendar year in which the member retires under the plan.
- a. If a death benefit is being paid to a designated beneficiary other than the member's spouse, payments shall either:
    - 1. Be completed by December 31 of the fifth calendar year following the year of the member's death; or
    - 2. If there is no designated beneficiary, payment of a death benefit shall commence no later than December 31 of the fifth calendar year following the year of the member's death.
  - b. If the designated beneficiary is the member's spouse, death benefit payments shall commence no later than December 31 of the year the member would have attained age 70 1/2 paid over the life or life expectancy of the spouse, as determined under table V of Treasury Regulations 1.79-2 as of the date the payments commence, and benefits shall be actuarially increased for the delay.

(c) *Duty disability pension.* Upon duty disability retirement, a member shall receive a monthly pension equal to 62.5 percent of the member's average final compensation per month, but not less than 62.5 percent of the then current maximum salary payable to the rank of a firefighter.

(d) *Nonduty disability pension.* Upon nonduty disability retirement, a member shall receive a monthly pension equal to 25 percent of the average final compensation per month plus two and one-half percent per year of the member's average final

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compensation per month for the number of years and months of creditable service in excess of ten years, not to exceed to any event, a maximum monthly pension equal to 80 percent of the member's average final compensation per month.

(e) *Minimum benefit.* A minimum benefit of \$600.00 per month is established for voluntary, compulsory and disability retirees. Such minimum shall apply to current as well as future retired members, effective with pension checks dated August 1, 1986. Any annual cost-of-living adjustment related to prior calculated benefits shall be based on the original amount without reference to this minimum. The provisions of section 2-1279, when applicable to certain disability retirements, shall apply even if the net payments are less than the minimum stated herein.

(f) *Cost-of-living adjustment.* A cost-of-living adjustment is authorized under these conditions:

- (1) *Effective date of adjustment and applicability.* An annual cost-of-living adjustment shall be payable on pension checks to be dated May 1 of the current year and shall remain unchanged until the next effective date of adjustment. This adjustment shall apply to all beneficiaries receiving benefits, except no pension of any member or beneficiary retiring after January 1 of any year shall be adjusted until May 1 of the succeeding year. The cost-of-living adjustment shall not apply to any funeral benefit.
- (2) *Amount of adjustment.* The adjustment shall be three percent, each year, non compounded.

(g) *Health insurance subsidy.* There is hereby established a plan to provide health insurance subsidy payments to retired members of the firefighters' pension system as provided herein:

- (1) *Funding.* A separate fund will be established within the firefighters' pension system for the purpose of providing a health insurance subsidy to eligible annuitants pursuant to subsection (g)(4) of this section. Members will contribute one percent beginning May 20, 1991, toward the establishment of this fund. Beginning May 1, 1992, the city will contribute one percent toward funding. Effective July 25, 1994, the city and members will each contribute one-half percent toward funding. Effective June 23, 1996, the city and active members will each again contribute one percent toward funding. Effective January 1, 2000, the city shall contribute an additional one percent toward funding. Contributions funding this subsidy shall be in addition to contributions required in section 2-1272. The dollar value of these percentage contributions will be calculated and collected by the methods used in section 2-1272.
- (2) *Effective date.* The board of trustees before April 1 of each year shall determine the dollar value of the annual health insurance subsidy. In

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addition to the amount determined by the board each year, the City shall pay:

- a. Effective November 1, 2010, a \$100.00 monthly retiree health subsidy to all retired members; and
- b. Effective November 1, 2011 and continuing thereafter, a \$200.00 monthly retiree health insurance subsidy to all retired members.

The subsidy shall be payable on pension checks of eligible annuitants pursuant to subsection (g)(4) of this section, to be dated May 1 of the current year, beginning 1992, and shall remain unchanged until the next effective date of adjustment. This benefit shall be provided so long as funds are available in the health insurance subsidy fund.

(3) *Method of determination.*

- a. Contributions to the fund for the current fiscal year will be estimated based upon members' payroll.
- b. This estimated amount plus earnings, forecasted at the rate assumed in the then most current actuarial valuation performed for the firefighters' pension system, as of January 1 of the current year will serve as the basis for distributions. The fund's balance after distribution must equal one percent of member's annual payroll or \$270,000.00, whichever is greater. If the fund's balance is reported by the custodian to be below \$270,000.00 at the end of any month, then all distributions from the fund shall cease until the next succeeding May 1.
- c. The basis as determined in subsection (g)(3) of this section will be equally divided by all members eligible on January 1 of the current year. In no event will subsidy be greater than carrier premiums.

(4) *Eligibility requirements.* The health insurance subsidy shall be payable under the following conditions. The annuitant must:

- a. Have retired with at least 25 years of creditable service; or
- b. Meet eligibility requirements for a duty disability retirement as detailed in section 2-1267(a), (c), (d) and (e).

The surviving spouse of a member who dies in the performance of duty as a firefighter becomes eligible for the health insurance subsidy described above. If there is no surviving spouse, a minor child, or children, eligible for pension benefits under section 2-1268(a)(2) will receive the health insurance subsidy payment following the death of a qualified member as long as the child qualifies for pension benefit payments. Only one

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subsidy is payable per member. If more than one child qualifies as a surviving minor, the subsidy shall be paid in equal shares to all of the qualifying children.

(h) *Direct rollover.* This provision applies to distributions made on or after January 1, 1993. Notwithstanding any provision of the pension system to the contrary that would otherwise limit a distributee's election under this provision, a distributee may elect, at the time and in the manner prescribed by the board of trustees, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover.

(1) *Eligible rollover distributions.* An eligible rollover distribution is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under section 401(a)(9) of the Internal Revenue Code; and the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net realized appreciation with respect to employer securities).

(2) *Eligible retirement plan.* An eligible retirement plan is an individual retirement account described in section 408(a) of the Internal Revenue Code, an individual retirement annuity described in section 408(b) of the Internal Revenue Code, an annuity plan described in section 403(b) of the Internal Revenue Code, or a qualified trust described in section 401(a) of the Internal Revenue Code, that accepts the distributee's eligible rollover distribution. However, in the case of an eligible rollover to the surviving spouse, an eligible retirement plan is an individual retirement account or individual retirement annuity.

(3) *Distributee.* A distributee includes a member or former member. In addition, the member's or former member's surviving spouse and the member's former spouse who is the alternative payee under a state domestic relations order determined by the board of trustees, based on written procedures, to be a qualified domestic relations order, are distributees with regard to the interest of the spouse or former spouse.

(4) *Direct rollover.* A direct rollover is a payment by the fund to the eligible retirement plan specified by the distributee.

(i) *Pension Adjustment for Previous Beneficiaries.* Effective for each payment made on or after March 1, 2000, the pension payment for each beneficiary shall be

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increased one percent for each year such beneficiary was receiving benefits prior to January 1, 1990.

(j) *Rights of domestic partner.* Except as provided in (b)(2) above, a member's approved domestic partner, as recognized by the city, shall have all the rights and responsibilities of a member's spouse as provided in this section 2-1265.

(k) *Children of domestic partnership.* For the purposes of this section 2-1265, children and step children of domestic partnerships shall have the same rights as children and step children of marital relationships.

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Approved as to form and legality:

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Galen P. Beaufort  
Senior Associate City Attorney